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# Considerations on the theory of economic growth and development

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## Abstract

Is there a market? Is there a theory of growth and development? Are there determinants of performance or they are impossible to identify? Considering the historical data and estimating the magnitude of economic variables over long periods of time, some researchers consider that the determinants of market performance are the capital, the labor and the innovation. Analyzing the economic present from the countries of European Union, we conclude that these findings are not valid in the context of system crises. Are we in error and it is impossible to find an answer? Regarding this, the study is looking the answer of the question: Are there still valids the theories of the economic growth and development under the globalization and the volatilization of the effects determinated by the following relations: revenue - consumption - saving; saving - investments - revenue?

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## 1. Introduction

The study is looking the answer of the question: There are still valids the theories of the economic growth and development under the globalization and the volatilization of the effects determinated by the following relations: revenue - consumption - saving; saving - investments - revenue? The answer has as start point the economic present. The economic present is measured through the evolution of the main result indicators (gross domestic product, national revenue, investments, aggregate demand, aggregate supply, inflation rate, unemployment rate). The conclusions highlight that the economy is now at the beginning of one period of structural changes, whose effects direct us to define new theories of economic.

## 2. Methodology and Material

The analysis on the growth and development of theories has been achieved in terms of comparative advantage and economic development.

The Comparative advantage of a territory in relation to the territory is given by the abundance of resources and factors of production that ensure economic growth in the quantitative sense (e.g., annual growth of gross domestic product-GDP or gross national income-GNI).

The Development is the ability of an economy to generate and sustain an annual growth of GDP per habitant, or in the broader scheme of GNI per habitant, so that the interests of peace and happiness of society to improve.

The peace and happiness of society implies:

- employment stability, income and purchasing power (basically meet the needs of food materials, housing, health, social protection);

- access to education and becoming of the personality (spiritual needs);
- freedom (choice).

If one of these elements is missing, then the persons from the community lives in conditions of underdevelopment. Basically, everything we want is the development and what we don't want is underdevelopment.

From the methodological point of view the analysis uses statistics based on official information on the evolution of macroeconomic indicators of countries of the European Union.

The horizon analysis was 2000-2010 and encompassed the following variables: gross domestic product; national revenue; investments; aggregate demand; aggregate supply; inflation rates; unemployment rates.

### 3. Results and Discussions

The economic growth and development problems are very complex and as it derived from the above definitions, the development does not mean merely economic growth, self-sufficiency in food, equipment and technology transfer. The development refers to the peace and happiness of man. The man, in all its aspects, and let it conquer dignity. In society, man tends to create, choose, decide to be responsible, to be free. These human capacities. All these values the human capabilities transforming itself in the engine development.

If we have defined what we want (development), then we asked:

-which are the factors that contribute to the development of communities?

For reply, I have appealed to the Western economy analysis in the last decade. Thus, since 2000's, was launched the Lisbon Strategy in response to the challenges of globalisation and ageing. The European Council defined the objective of the strategy for the EU "to become the most dynamic and competitive knowledge-based economy in the world economy by 2010, capable of sustainable economic growth with more and better and with a stronger social cohesion and respect for the environment". The realization of this strategy was that, in order to raise the standard of living and to be able to support its unique social model, the EU must increase its productivity and competitiveness in the context of global competition increasingly intense, technological developments and population ageing.

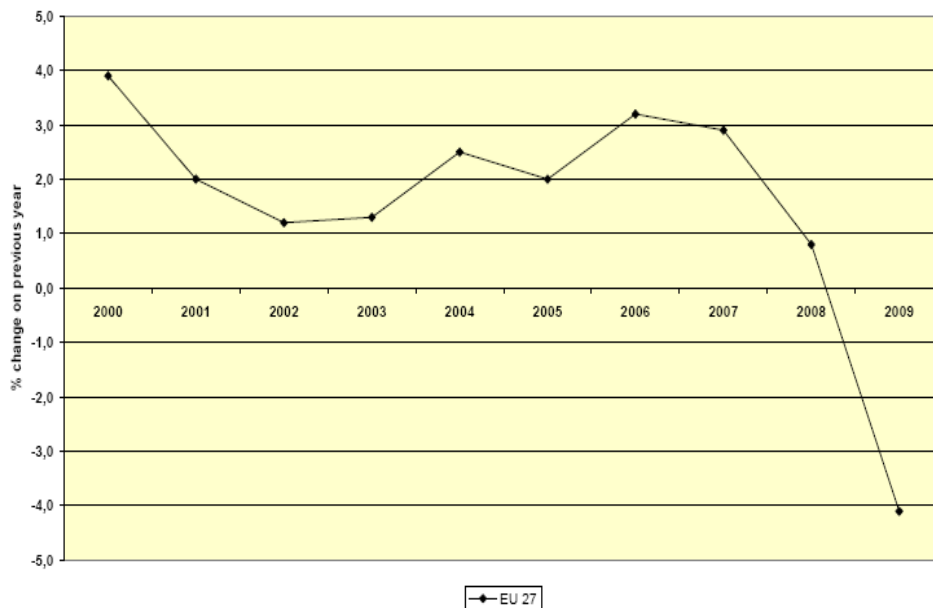


Figure 1 - Real GDP growth rate EU27 (percentage change on previous year)

Analysing the impact of the Lisbon Strategy on the EU economy result:

- as a whole, the strategy does not had a positive impact on the EU's main objectives (e.g. blend devices rate of employment of 70%) have not been met. The employment rate in the EU has reached 66% in 2008 (62% in 2000), after which registers a dynamic descending as a result of the crisis.

The EU has failed in the attempt to eliminate the differences related to increasing productivity in comparison with the leading industrialised countries: total expenditure in research development in the EU, expressed as a percentage of GDP have increased only marginally (from 1.82% in 2000 to 1.9% in 2008).

The EU GDP growth also had a negative evolution, from an increase of 4% in 2000, to around 3% per year in 2006-2007, it plunged to -4% in 2009. Similarly, the unemployment increased from a low of 7% in 2007 to its current rate approaching 10%.

Makes over the past 10 years, it highlights the following facts:

- blend devices rate of the workforce has increased;
- the rate of growth of capital has increased;
- the rate of growth of output has remained approximately constant (average of 1%);
- the crisis has shown that the global economy has become interdependent;
- 100% of the total increase of production 21 percent is due to the increase of quantitative factors of production while the remaining 79% is due to innovation and technology.

Synthesizing and returning to economic development, "is increasingly negative influenced effects of economic policies that were considered and deemed economic growth and economic development are two synonymous notions". The reflection of this finding has led to the following conclusion: "the economy is more developed the register an increase of GDP". This conclusion is wrong, for example, many countries have registered a growth of GDP and have not registered an improvement of quality of life. The development of unprecedented science and technology gave rise to uncontrolled production, "silently" created new needs to be met, i.e. rush new resources (capital). In this sense the economic economic philosophy is the growth at any cost and delay for future considerations of equity between people (paradoxical appear poor, in particular of the young population). The net result of this situation in its economic terms resulted in an economic crisis.

Table 1. Contribution of factors in production growth

		▲ production = 1,31%
capital	▲ 0,12	
labor	▲ 0,15	
nature	0,0	
management	▲ 0,20	
information	▲ 0,38	
innovation, know-how	▲ 0,46	

The economic crisis has profound and lasting effects on European economies. GDP decreased by 4% in 2009. Unemployment is approaching 10%. The public finances are in a difficult situation, with the deficits reaching 7% of GDP, and the degrees of indebtedness increased by 20 percentage points in two years, thus undoing 20 years of consolidation. This situation has led to a general malaise on the strategies of economic growth followed until now and the whole effect is reconsiderata theory and practice of the development.

To identify the new factors of development we place in the future. In the future the world will change radically. The Software in the future will be based on new technologies and innovation. For example, the three-dimensional printing will create the possibility to obtain any product we want (forms, phone, shoes, shirt, car, etc.) just by simply pressing ENTER. The present high energy consuming in order to obtain a X product will be replaced with simple three-dimensional printers "that will consume mainly information and very little energy and time". The printer will make things more complex than a factory and most importantly it will make anywhere. Your information will be an expensive location and will act as an attractor of the production and development of a generator.

The effect of these mutations lead to the conclusion that currently the main advantage is given by education and knowledge. Thus the European Union competitiveness means acceptance, cumulative productivity and comparative advantage, internationally. In view of the community, "competitiveness is determined by productivity growth".

Only educated communities, the waves of discoveries occur periodically causing large economic growth rates, contingency of capital and investment benefits, new needs to be met, i.e. rush a new happiness.

#### *What is happening?*

We are in the Internet globalization age and the information circulate with a great speed. New knowledge, new technologies are very easily imitated in other communities, the maternal benefits begin to reduce and along with them and the rate of investment and a new crisis that lasts until a new wave of discovery brings a new growth phase.

#### *How do we remove recurring crises and how we grow?*

I think the answer is economic human temperance. The factors that are considered as opposed to development (the social distribution of income, environmental protection, access to knowledge, access to markets, participation in economic activities, complexity, etc) can be appreciated as its conditions and therefore there is a need to address the overall economic activity by answering the question ... what we want? and who will decide?

To answer we can do an exercise in logic... If we look at Earth after Cardinal we see a rich North and poor South, a Western and an Eastern dreamy pragmatic. Basically we have a rich Northwest and pragmatic, a Southwest poor and pragmatic, a Northeast rich and dreamy and a poor and dreamy Southeast. Who will decide... what we want or which will be the development conditions... clearly. the rich and pragmatic... or... will decide the poor and dreamy....

### **Conclusions**

1. The development does not mean only economic growth, self-sufficiency in food, equipment and technology transfer. The development refers to the peace and happiness of man. The man, in all its aspects, and let it conquer dignity. In society, man tends to create, choose, decide to be responsible, to be free.

2. When analysing the evolution of the EU economy factors of development in the period 2000-2010 result:

- blend devices rate of the workforce has increased (on average 4%);
- growth rate of capital has increased (on average 8%);
- growth rate of production has remained approximately constant (average of 1%);

3. The crisis has shown that the global economy has become interdependent taking into account the speed of propagation of effects.

4. Of the total 100% increase of production 21 percent is due to the increase of quantitative factors of production while the remaining 79% is due to innovation and technology. All these facts contradict the conclusions of classical models of economic growth. Such economic growth and development is the main influenced in us: innovation factors contribute 46%, followed by information and management by 38% and 20% respectively. The capital is on the last place with a share of 12%. Work keeps unadulterated the importance to a value of 15%.

5. The production broke away from Earth and actively contribute to international trade facilities around the country with similar inputs classics.

6. The effect of these mutations lead to the conclusion that currently coparativ main advantage is given by education and knowledge. Your information will be an expensive location and will act as an attractor of the production and development of a generator.

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